

Summary of 9-12-12 interview of Cheryl Kilzer

Interview and summary by Thomas M. Patton, Deputy Attorney General

Cheryl Kilzer retired from 39 years of California state service in December 2008. (Cheryl Kilzer transcript (CKtr), pp. 23-26.) Kilzer stated she worked some ten years at the Department of Parks and Recreation, although she was uncertain as to her dates of service. Kilzer's retirement records, and a Department of Finance (DOF) memo dated April 8, 2002, regarding fund balance discrepancies that contains Kilzer's name on a fax line header, indicate Kilzer worked at the Parks Department from the early 1990s until approximately 2002. (CKtr, pp 2-23, 47, and Exhibit G attached hereto.)

Kilzer started at Parks as an accounting office supervisor. She was later promoted by then-chief accounting officer Freda Luan-Dun and supervised accounting staff as well as the Department's general ledger. (CKtr, pp. 9-13.) Dorothy Kroll came to work at the Parks Department in November 2000 as the senior accounting officer and Kroll reported to Kilzer. (CKtr, p. 35; Dorothy Kroll 8-22-12 interview transcript, p. 8.)

Kilzer recited that at the end of each fiscal year they would reconcile the Department's various fund balances with their accounting records, send those balances to the State Controller's Office (SCO), and "make sure that everything balances" with the SCO's records. Reconciliation and reporting would be done by the accounting section for each fund in the Park's budget, including the State Parks and Recreation Fund (SPRF), account 0392. (CKtr, pp. 37-39.)

Kilzer was shown the DOF memo dated April 8, 2002 (Exhibit G hereto) which reflected discrepancies in various special fund balances reported June 30, 2001, to the DOF and SCO, and which included discrepancies in the reported balances for the SPRF and the Off-Highway Vehicle (OHV) fund.¹ For the SPRF, the April 8, 2002 memo and attachment reflect that \$19,096,000 was reported to the DOF as the year-end fund condition balance, and \$41,861,000

¹ A similar DOF fund balance discrepancy memo dated June 5, 2003, contains Dorothy Kroll's name on the fax header and thus seems to indicate Kilzer had left the Parks Department by that time. (See Exhibit H attached hereto.)

was reported to the SCO as the year-end cash balance. The discrepancy between reports totaled \$22,765,000. (CKtr, pp. 47-51; attached Exhibit G.)

Kilzer indicated she vaguely recalled there was a discrepancy between the accounting reports sent to the SCO and the budget documents that budget officer Becky Brown submitted to the DOF. Kilzer stated she vaguely recalled that “the budget shop may have been off at that point from what the State Controller said.” Kilzer also indicated she vaguely recalled the budget side asking accounting for help to determine why the budgets numbers were off, and vaguely recalled Dorothy Kroll going to work on that question. (CKtr, pp. 64-66.)

On further inquiry, Kilzer stated that she did specifically recall there was a discrepancy in the balances reported for the SPRF. (CKtr, 73.) Kilzer continued to “vaguely” recall that Becky Brown asked accounting officer Freda Luan-Dun for help identifying the reason for the discrepancy, and Luan-Dun in turn came to Kilzer and Kroll with the issue. Kilzer did recall sending Kroll to discuss the issue with Brown. (CKtr., pp. 72-76, 82.) Kilzer also specifically recalled: “because at that time Dorothy was underneath me. I says, well, this is – looks to me like a budget issue, go see if you can get any additional information from Becky, which I don’t think we did really get any concrete thing that we could wrap our -- .” (CKtr, p. 75.)

Kilzer stated she believes Brown’s initial request for assistance was communicated to Kilzer through Luan-Dun. Kilzer also indicated it sounded familiar that the problem was identified as being in the prior year adjustment number the budget office was utilizing year after year, and was something only the budget side could fix. (CKtr, pp. 77-80.)

At the conclusion of the interview, Kilzer mused that she did not understand how all this went to “hell in a hand basket,” and how it could have been like that for years. Kilzer offered that: “ if I would have been over there or whatever at, you know, Controllers or whatever, I would think at that point they would call – not accounting, but they would call the budget office and say, you know, something’s rotten in Denmark.” (CKtr, pp. 84-85.)